Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

ERS-470

Welfare Reform:

Benefits and Incentives in Rural Areas

Economic Research Service

U.S. DEPARTMENT OF AGRICULTURE

ABSTRACT

This report examines potential effects of the proposed Family Assistance Plan (FAP) on different U.S. regions and places of residence. Both welfare benefits and costs would increase substantially in all U.S. regions and places of residence. Benefits under FAP would increase $3.18 billion (26 percent) nationally over those under current programs. Almost twice as many families would be eligible for the basic FAP transfer than are eligible for the current Aid to Families with Dependent Children program. Compared with current programs, FAP benefit increases would be greatest in the Southern Region, especially the rural South. State differences in welfare benefit levels would be reduced under FAP, but there is little evidence that such differences affect the migration decisions of the poor. Work incentives of the poor are most likely to be affected in the Southern Region, where the benefits would increase substantially, and potential for higher earned income is low because of low skills and educational attainment.

Key Words: Family income, poverty, food stamps, welfare, rural poverty.

CONTENTS

	Page
Highlights	iv
History of U.S. public assistance	2
Basic features of the Family Assistance Plan	5
Estimates of eligibility and benefits under FAP and food stamps	8
Rural-urban comparisons	12
Regional comparisons	13
Incentives to migrate and to work under welfare reform	16
Incentives to migrate	16
Work requirements and incentives to work	19

Washington, D.C. 20250 June 1971

HIGHLIGHTS

Under the proposed Family Assistance Plan (FAP), U.S. welfare benefits would increase substantially, with major shares of this increase going to poor rural residents of the Southern Region.

The increased welfare benefits would be financed wholly by the Federal Government, with State and local welfare expenditures declining. For the United States as a whole, welfare benefits to families with children and adult aid would total $15.3 billion with $4.4 billion (29 percent) accruing to rural residents. Total benefits in 1971 would increase $3.18 billion, or 26 percent, over benefits under current programs. Of the $3.18 billion increase, Federal expenditures would increase $5.67 billion, whereas State and local expenditures would decrease $2.49 billion. Forty-six percent of the increase in U.S. welfare benefits would be received by rural people, compared with 54 percent accruing to the urban poor, assuming 100 percent participation of eligible rural and urban families under FAP.

For the entire United States, approximately twice as many families with children would be eligible to receive the basic FAP transfer as would be eligible for benefits under the current Aid to Families with Dependent Children (AFDC) program. Of the 3.6 million families that would be eligible to receive the basic FAP transfer, 1.4 million would be rural families. The overall U.S. increase in family eligibility of FAP, relative to the AFDC program, would compare with a fourfold increase for rural families alone.

Among regions, increases in welfare benefits under the proposed program would be greatest in the Southern Region (61.8 percent) and lowest in the Northeast (9.5 percent). Benefits in the rural South would increase the most of any region-place of residence grouping. About two-thirds of the $1.50 billion increase in benefits accruing to U.S. rural residents would go to rural people in the South.

Interstate differences in welfare benefits would be reduced under FAP (particularly regional differences), thus possibly reducing interstate migration of the poor. However, little evidence is available to support the theory that welfare benefit levels are a major factor in decisions of the poor to migrate.

Aside from the requirements that adults work or engage in training, the effects of FAP on work incentives of the poor depend on their attitudes toward work, their skill level and educational attainment, and the demand for their labor. Again, work incentives would probably be affected most in rural areas of the Southern Region where large numbers of rural poor workers would be eligible for substantial increases in welfare benefits.

WELFARE REFORM: BENEFITS AND INCENTIVES IN RURAL AREAS

by
Fred Hines and Max Jordan 1/

This report examines the potential effects of enactment of an income maintenance program on different regions and places of residence in the United States. We discuss the income maintenance program now before Congress (the Family Assistance Plan, commonly referred to as FAP) to explore some possible results of such a program in terms of costs, eligibility, and their effects. 2/ The present discussion of FAP is based on the basic features as they stood at the beginning of the 92d Congress. Many alternatives to these features are now being discussed. If incorporated into the plan, they will alter, in varying degrees, the basic analyses presented in this report. However, the general conclusions drawn from the analysis would hold under any similar plan.

FAP, first proposed in August 1969, passed the House of Representatives during 1970 but failed to come to a vote in the Senate in 1970. It has been reintroduced in the 92d Congress. 3/ FAP's basic features and eligibility standards provide the mechanism for illustrating the potential effects of any income maintenance program. In the analysis of FAP, special attention is paid to rural-urban differences in eligibility and costs, with emphasis on direct and indirect effects on the rural economy. Costs and eligibility estimates by region-place of residence are developed for FAP and compared with current welfare programs. The estimates of costs under FAP and current programs are based on 100-percent participation of all eligible families under each program.

Possible effects of welfare reform on work incentives and incentives for interstate migration are explored. Incentives to work, with emphasis on the rural, unskilled worker, are examined by comparing potential welfare benefits with incomes of hired farmworkers. Interstate comparisons of benefits under current and proposed programs provide the basis for inferences about possible effects of changes in incentives to migrate for welfare recipients.

1/ Economists, Economic Development Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

2/ For a discussion of some alternative income maintenance plans as well as some further discussion of the Family Assistance Plan, see: Southern Extension Public Affairs Committee, Family Income Maintenance: Some Options, Publication No. 1, May 1970.

3/ See: H.R. 1, referred to the House Ways and Means Committee, January 22, 1971, 92d Congress, 1st Session.

History of U.S. Public Assistance

Until the middle 1930's, small amounts of public assistance to poor people were financed wholly by State and local governments. Little attention was paid at the national level to the needs of the poor. However, since the enactment of the Social Security Act of 1935, involvement in the needs of the poor by all levels of government (local, State, and Federal) has steadily increased. During 1935-69, all public assistance expenditures--payments for Old-Age Assistance (OAA), Aid to the Blind (AB), Aid to Families with Dependent Children (AFDC), Aid to the Permanently and Totally Disabled (APTD), and General Assistance (GA)--grew from $616 million annually to $10,631 million. 4/ Public assistance expenditures as a percentage of GNP were 1.14 percent in 1969, compared with 0.85 percent in 1935. On a per capita basis, assistance payments increased from less than $5 to over $50 during the 35-year interval. The incidence of persons receiving public assistance has increased from 26 recipients per 1,000 population in 1945 to 50 recipients in 1969. 5/

Almost all of the recent growth in the number of public assistance recipients and expenditure levels can be attributed to the growth in AFDC recipients and expenditures (figs. 1 and 2). During 1960-69, the number of persons in families receiving AFDC payments increased from 3 million to over 6.5 million. Over the same decade, the number of children in families receiving AFDC payments per 1,000 population under 18 years of age more than doubled, increasing from 23 to 49 per 1,000 population under 18 years of age. Total AFDC money payments per month increased more than threefold during the 1960's--from $82.8 million in June 1960 to $287.4 million in June 1969. Aid to the totally and permanently disabled also increased substantially during the 1960's, with total monthly money payments increasing from $358 million in June 1960 to $702 million in June 1969.

On the other hand, during the 1960's, the absolute number of recipients of Old Age Assistance, Aid to the Blind, and General Assistance declined, with total money payments to each group remaining relatively constant (fig. 1). The number of recipients per 1,000 population for each of these programs declined substantially. Old Age Assistance recipients per 1,000 population, 65 years of age and older, declined from 139 in 1960 to 104 in 1969. During the decade, the recipient rate of Aid to the Blind fell from 93 to 61 per 1,000 population, 18 years of age and over, while General Assistance recipients declined from 5.9 to 4.7 per 1,000 population under 65 years of age.

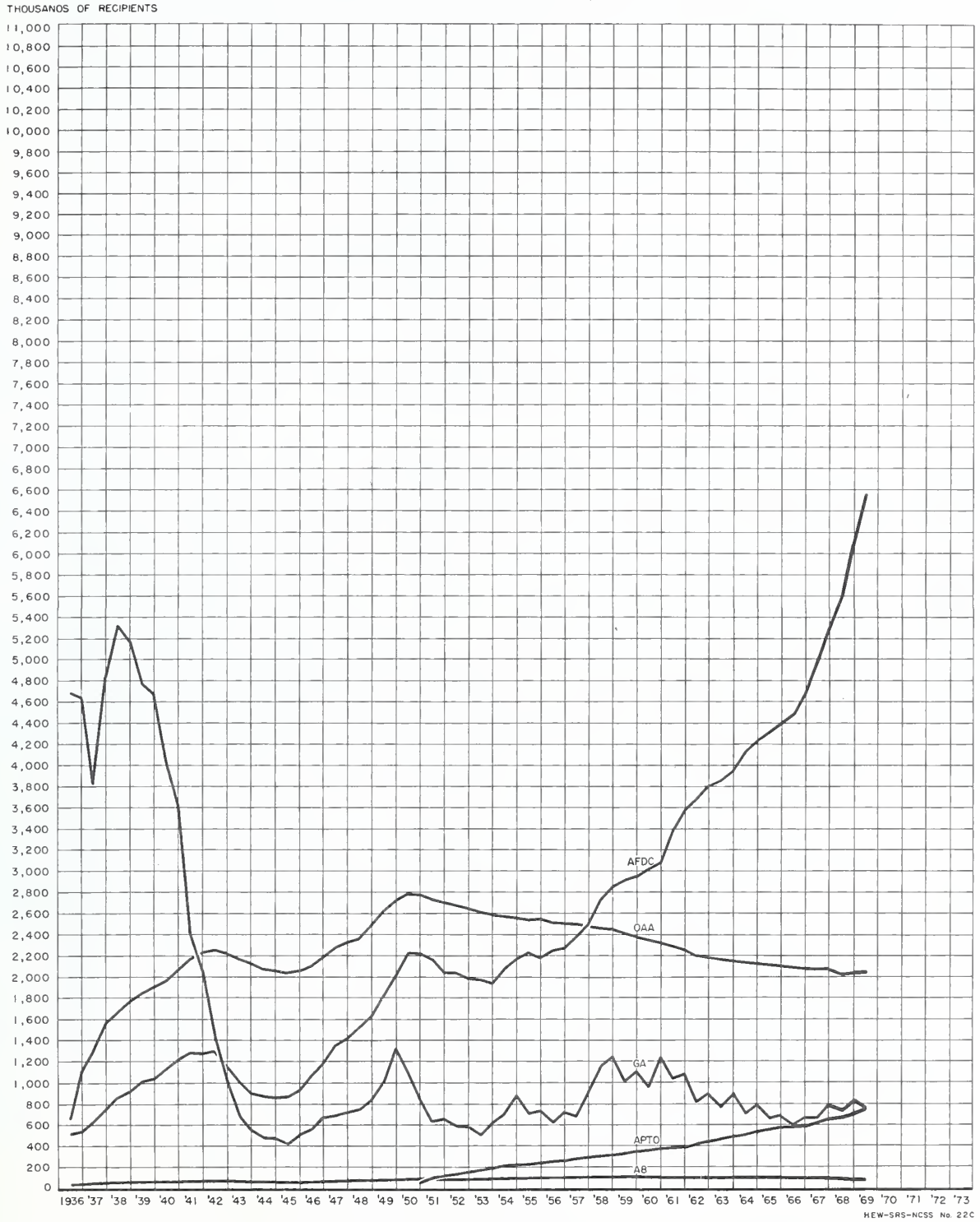
The growth of the AFDC program has been of major concern to public policymakers in recent years. Other programs have been of much less concern because of lack of growth in expenditures for the programs and because they are less

---

4/ Expenditures on a constant dollar basis (1957-59=100) increased 556 percent from $1,435 million in 1935 to $9,408 million in 1969. The growth in public assistance expenditures on a constant dollar basis reflects the real growth in welfare services in the United States.

5/ Data from: U.S. Department of Health, Education, and Welfare, National Center for Social Statistics, Trend Report: Graphic Presentation of Public Assistance and Related Data (Washington, 1969).

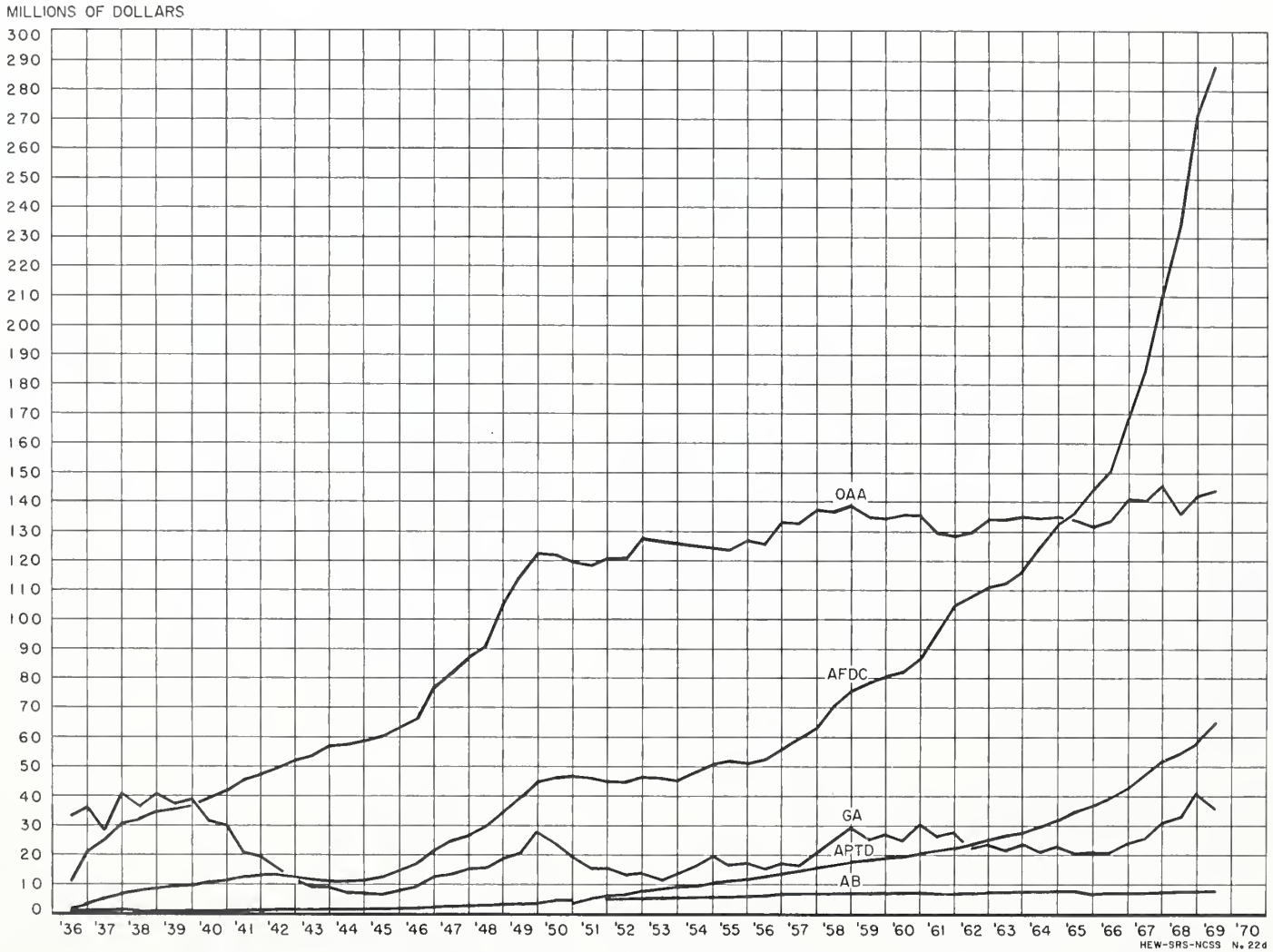
NUMBER OF PUBLIC ASSISTANCE RECIPIENTS OF MONEY PAYMENTS BY PROGRAM, JUNE AND DECEMBER OF EACH YEAR, 1936 TO DATE



HEW-SRS-NCSS No. 22C

SOURCE: U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, NATIONAL CENTER FOR SOCIAL STATISTICS, TREND REPORT: GRAPHIC PRESENTATION OF PUBLIC ASSISTANCE AND RELATED DATA (WASHINGTON, 1969).

PUBLIC ASSISTANCE MONEY PAYMENTS BY PROGRAM, JUNE AND DECEMBER EACH YEAR, 1936 TO DATE



SOURCE: U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, NATIONAL CENTER FOR SOCIAL STATISTICS, TREND REPORT: GRAPHIC PRESENTATION OF PUBLIC ASSISTANCE AND RELATED DATA (WASHINGTON, 1969).

controversial in terms of determining need. Determining need has been a major problem in administering the AFDC program because there have been restrictions on the status of the father living in the home. During the 1960's, the number of children in AFDC families with the father absent from the home increased from 1.49 million to 3.52 million (fig. 3). This increase of over 2 million AFDC children whose fathers were absent from the home comprised 79 percent of the total increase in AFDC children during the 10-year period. Instability of welfare families has been a major issue in the debate over plans for welfare reform. Spurred by the greatly increased growth in the incidence of AFDC recipients, the instability of AFDC families, and increased national awareness of and concern for poverty, President Nixon introduced the Family Assistance Plan (FAP) in August 1969.

Basic Features of the Family Assistance Plan 6/

Basic objectives of the Family Assistance Plan (FAP) are to (1) replace the current AFDC program, (2) provide a minimum income for working poor families with children, and (3) increase payment levels under adult aid programs. For a family to be eligible for benefits, it would no longer be necessary for the father to be absent from the home, as has been the case under the AFDC program. Eligibility for basic FAP benefits would depend upon a child under 18 years of age (22 if the child is a student) being among the family members.

Throughout this report, "basic FAP" refers to that portion of the reform program which would replace AFDC and aid working poor families with children. "Other FAP benefits" refer to benefits accruing to recipients of adult aid. Then, "total FAP benefits" include all nonfood benefits to recipient families with children and to persons receiving adult aid.

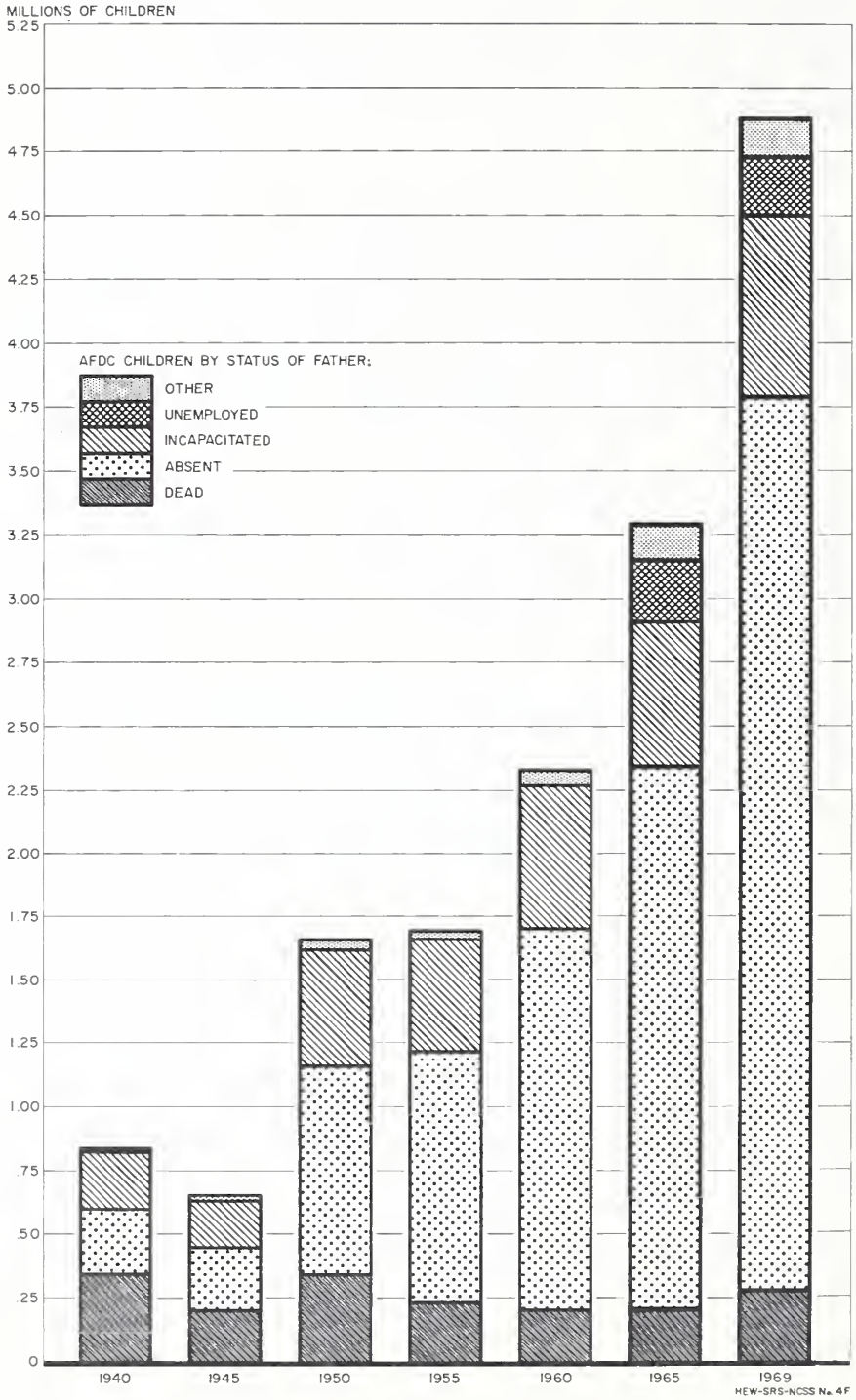
Couples without children or single adults would not be eligible for basic FAP payments, but the existing adult aid programs for the aged, blind, and disabled would remain intact and minimum monthly payments would be raised to $110 per individual. 7/ Household heads and other nonstudents 16 or over in families eligible for FAP payments would be required to register at the local employment service office. Any family member registered who is not employed 40 hours weekly, or 35 hours or more if he earns at least $63 a week, would be required to engage

---

6/ This section represents only a brief overview of the basic features of FAP. For a detailed discription of FAP see: U.S. Senate Finance Committee, The Family Assistance Act of 1970 (Revised and Resubmitted, Nov. 5, 1970), 91st Congress, 2d Session, 1970.

7/ Currently eligibility and payment standards vary greatly among States. In May 1970, monthly benefits under Old-Age Assistance averaged $75 per recipient, ranging from a low of $47 in Mississippi to a high of $122 in New Hampshire. Under the Aid-to-the-Blind Program, monthly benefits per recipient ranged from $54 in Mississippi to $158 in California. For a general overview of the wide range among States in home and personal property limitations under current programs see: Family Assistance Act of 1970, hearings before the Senate Committee on Finance, Part 1, 91st Congress, 2d Session.

NUMBER OF CHILDREN RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN MONEY PAYMENTS BY STATUS OF FATHER, JUNE OF SELECTED YEARS, 1940 TO DATE



SOURCE: U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, NATIONAL CENTER FOR SOCIAL STATISTICS, TREND REPORT: GRAPHIC PRESENTATION OF PUBLIC ASSISTANCE AND RELATED DATA (WASHINGTON, 1969).

in training or accept suitable employment. Mothers of preschool children would not be required to accept training or employment, but a provision is included for the establishment of day-care centers for preschool children whose mothers wish to seek training or employment.

The basic FAP allotment would be $500 annually for each of the first two family members and $300 annually for each additional family member. 8/ The portion of earned income foregone under FAP would be 50 percent of all income over a cost-of-working allowance of $60 per month, excluding training allowances, child care cost, scholarships, value of food stamps, and small irregular incomes. Thus, as annual earned income increases by $1 (above the working allowance of $720), the FAP payment would decrease by 50 cents. For a family of four entitled to the $1,600 minimum benefit and having only earned income, the break-even income with regard to FAP payments would be $3,920; i.e., at that level of income the family would be no longer eligible for FAP payments (see table 1).

The purchasing power of a FAP-eligible household could be further increased by participation in the Food Stamp Program. Assuming participants purchased the full coupon allotment, the stamp program could add as much as $888 to the purchasing power of a four-person family on FAP with no earned income (table 1). The food stamp bonus would add to the family's purchasing power in decreasing amounts as disposable income (earned income plus FAP payments) increased--the family would be required to pay a greater percentage of the actual food value for the food stamps. Total annual purchasing power for the family of four would range under FAP plus food stamps from $2,488, for a family with no earned income, to $4,148 for a family earning $3,920 annually. Thus, over the range of earned income, the average tax rate on earned income (the average discentive to earn income), after considering the food stamp bonus and work allowance, would be 58 percent. 9/

8/ Families in States having AFDC payments higher than the $1,600 minimum equivalent (for a family of four) would be guaranteed no decrease in payments under FAP through State supplementation of the basic FAP allotment. By regions, requirements for State supplementation would be lowest in the Southern Region, where incomes are generally low. However, State supplementation would be nearly as low in several other areas. Later analysis (see table 3) shows that the amount of State supplementation required in 1971 would be $1.7 billion, with supplementary payments made by Southern States only comprising 29 percent of the U.S. total.

9/ The increase in the tax rate from 50 to 58 percent results from considering the work allowance and the progressive payment schedule for food stamps.

Table 1.--Total family purchasing power of a 4-person family under the proposed Family Assistance Plan with food stamps, by level of earned income

Family's earned income	Cost-of-working allowance	FAP benefits	Food stamp bonus 1/	Purchasing power
Dol.	Dol.	Dol.	Dol.	Dol.
0	0	1,600	888	2,488
500	500	1,600	732	2,832
1,000	720	1,460	660	3,120
2,000	720	960	516	3,476
3,000	720	460	372	3,832
3,920	720	0	228	4,148

1/ Represents the proposed schedule of bonus values under amendments to the Food Stamp Act of 1964 (P.L. 91-671, April 13, 1971). Unlike the current schedule, this schedule provides for a variable purchase option. However, these estimates represents participant purchases of full stamp allotments.

Estimates of Eligibility and Benefits Under FAP and Food Stamps

Estimates of eligibility and costs of FAP and food stamps were derived by considering family income and its components as well as family size. The estimates presented here represent the potential benefits to all eligible families over all income-family size groups. Comparisons are made for the rural-urban sectors and census regions. This section also provides a comparison of the benefits under FAP and FAP plus food stamps with the benefits accruing to poor families under the current programs of AFDC and all adult aid programs.

Estimates of program eligibility and costs presented in tables 2 and 3 were derived from the model developed in 1969 for the President's Income Maintenance Commission which employs data on basic income and family characteristics from the 1967 Survey of Economic Opportunity. The data have been adjusted to develop 1971 estimates. Eligibility is based on regional averages of eligibility standards for each of the current programs (with the exception of the Current Food Stamp Program which is not included in the computations), since the SEO does not contain State codes. Under all proposed programs, there would be national eligibility standards. All program costs in this report represent maximum likely costs, and are based on all eligible families participating in

Table 2.--A comparison of current welfare programs and the proposed Family Assistance and Food Stamp Programs, by place of residence, United States, 1971

Item	United States		Urban		Rural		Rural farm		Rural nonfarm	
	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments
	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.
Current programs										
AFDC	1,934.4	3,928.1	1,575.6	3,227.5	358.7	700.6	60.2	69.8	298.5	630.8
Adult programs	9,041.0	8,232.6	6,296.2	6,000.1	2,744.8	2,232.5	553.2	401.9	2,191.6	1,830.6
Total	---	12,160.7	---	9,227.6	---	2,933.1	---	471.7	---	2,461.4
Federal share	---	5,817.7	---	4,268.0	---	1,549.6	---	262.3	---	1,287.4
State share	---	6,343.1	---	4,959.6	---	1,383.5	---	209.4	---	1,174.0
Proposed programs										
Basic FAP transfer	3,576.8	3,741.6	2,191.5	2,252.2	1,385.3	1,489.4	475.0	483.5	910.3	1,005.9
State supplementary payments	1,897.5	2,497.0	1,553.2	2,128.2	344.3	368.8	50.7	30.1	293.7	338.7
Adult programs	9,313.9	9,102.4	6,431.8	6,523.7	2,882.1	2,578.7	662.2	505.8	2,219.9	2,072.9
Total	---	15,341.0	---	10,904.1	---	4,436.9	---	1,019.4	---	3,417.5
Federal share of FAP	---	4,490.7	---	2,890.7	---	1,600.0	---	492.5	---	1,107.5
State share of FAP	---	1,747.9	---	1,489.8	---	258.2	---	21.1	---	237.1
Federal share of adult programs	---	6,997.8	---	4,891.9	---	2,105.9	---	455.2	---	1,650.7
State share of adult programs	---	2,104.6	---	1,631.8	---	472.8	---	50.6	---	422.2
Total Federal share	---	11,488.5	---	7,782.6	---	3,705.9	---	947.7	---	2,758.2
Total State share	---	3,852.5	---	3,121.6	---	731.0	---	71.7	---	659.3
Net program cost										
Total	---	3,180.3	---	1,676.5	---	1,503.8	---	547.7	---	956.1
Federal	---	5,670.8	---	3,514.6	---	2,156.3	---	685.4	---	1,470.8
State	---	-2,490.6	---	-1,838.0	---	-652.5	---	-137.7	---	-514.7
Food stamp bonus	9,608.7	2,768.6	5,979.6	1,545.5	3,629.1	1,223.2	---	466.3	---	756.9
Net program cost plus food stamp bonus	---	5,948.9	---	3,222.0	---	2,727.0	---	1,014.0	---	1,713.0
Poverty gap										
Under current programs	---	7,803.6	---	4,439.3	---	3,364.4	---	1,024.5	---	2,339.8
Under proposed programs plus food stamp bonus	---	3,482.7	---	2,245.5	---	1,237.3	---	266.4	---	970.8
Poverty gap reduction (pct.)	---	55.4	---	49.4	---	63.2	---	74.0	---	58.5
Distributional index 1/	---	72.6	---	68.1	---	78.0	---	74.8	---	79.9

1/ Represents the percentage of payments accruing to families in poverty; it is equal to:[change in poverty gap/net program cost] 100.

Note: Because of rounding, detailed estimates may not sum to totals.

Table 3.--A comparison of current welfare programs and the proposed Family Assistance and Food Stamp Programs, by regions, United States, 1971

Item	United States		Northeast		North Central		South		West	
	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments	Eligible families	Payments
	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.	Thous.	Mil. dols.
Current programs										
AFDC	1,934.4	3,928.1	484.9	1,534.8	410.3	895.1	691.2	951.9	348.0	546.3
Adult programs	9,041.0	8,232.6	2,526.4	2,845.9	2,241.6	1,777.2	2,819.7	1,981.8	1,453.3	1,627.6
Total	---	12,160.7	---	4,380.7	---	2,672.3	---	2,933.7	---	2,173.9
Federal share	---	5,817.7	---	1,670.8	---	1,202.3	---	1,916.0	---	1,028.6
State share	---	6,343.1	---	2,709.9	---	1,470.1	---	1,017.7	---	1,145.4
Proposed programs										
Basic FAP transfer	3,576.8	3,741.6	534.1	577.6	737.8	802.3	1,802.8	1,864.0	502.0	497.7
State supplementary payments	1,897.5	2,497.0	494.2	1,198.4	439.3	589.5	619.2	373.9	344.8	335.2
Adult programs	9,313.9	9,102.4	2,530.1	3,020.4	2,289.1	1,881.5	3,047.6	2,509.8	1,447.2	1,690.7
Total	---	15,341.0	---	4,796.4	---	3,273.3	---	4,747.7	---	2,523.6
Federal share of FAP	---	4,490.7	---	937.2	---	979.1	---	1,976.2	---	598.2
State share of FAP	---	1,747.9	---	838.9	---	412.6	---	261.8	---	234.6
Federal share of adult programs	---	6,997.8	---	2,037.8	---	1,630.9	---	2,172.6	---	1,156.4
State share of adult programs	---	2,104.6	---	982.6	---	250.6	---	337.2	---	534.3
Total Federal share	---	11,488.5	---	2,975.0	---	2,610.0	---	4,148.8	---	1,754.6
Total State share	---	3,852.5	---	1,821.5	---	663.2	---	599.0	---	768.9
Net program cost										
Total	---	3,180.3	---	415.7	---	601.0	---	1,814.0	---	349.7
Federal	---	5,670.8	---	1,304.2	---	1,407.7	---	2,232.8	---	726.0
State	---	-2,490.6	---	-888.4	---	-806.9	---	-418.7	---	-376.5
Food stamp bonus	9,608.7	2,768.6	1,116.0	274.7	2,576.8	612.9	4,805.5	1,545.6	1,110.5	335.5
Net program cost plus food stamp bonus	---	5,948.9	---	690.4	---	1,213.9	---	3,359.6	---	685.2
Poverty gap										
Under current programs	---	7,803.6	---	801.0	---	1,561.3	---	4,483.1	---	958.2
Under proposed programs plus food stamp bonus	---	3,482.7	---	459.1	---	692.7	---	1,833.0	---	497.8
Poverty gap reduction (pct.)	---	55.4	---	42.7	---	55.6	---	59.1	---	48.0
Distributional index 1/	---	72.6	---	49.5	---	71.6	---	78.9	---	67.2

1/ Represents the percentage of payments accruing to families in poverty: it is equal to: [change in poverty gap/net program cost] 100.

Note: Because of rounding, detailed estimates may not sum to totals.

the respective programs; i.e., all programs have 100-percent participation. 10/ In the analysis, the overall comparisons of program costs can be divided into (1) AFDC compared with "basic FAP," and (2) current adult aid compared with "other FAP." The cost of food stamps after FAP is then included to find a "net" program cost. This net cost does not include the cost of food stamps under the current program and thus exceeds a true net program cost by an amount equal to the cost of the current stamp program. Estimates of eligibility and cost for the current Food Stamp Program were not calculated because of the difficulty in obtaining reliable regional averages of eligibility standards.

For the United States as a whole, welfare expenditures would increase by $3.18 billion under FAP with all eligible families participating--an increase of 26 percent over current programs (table 2). Projections to 1976 reveal that numbers of recipients and costs under FAP and the current AFDC programs would be approximately equal in 5 years. 11/ The major part of this increase,

---

10/ Although 100 percent of eligible families will not participate in the proposed program, there has been no adjustment for annual turnover rates among families or estimates of administrative costs. Thus, even after assuming 100-percent participation, the estimates presented here are likely to be low, relative to the actual administrative cost plus payment of benefits.

Annual family income was the basis for calculating eligibility and costs of FAP and adult aid instead of a moving average of quarterly income. Thus, because of the quarterly turnover of families eligible for welfare payments, the assumption of 100-percent participation may not bias actual payment levels upward. The question is whether turnover rates will be approximately equal to the difference between 100-percent participation and the actual participation rate of eligible families. In the Senate Finance Committee report (see footnote 7), assumptions of participation were made by varying levels of family welfare benefits. These participation rates, ranging from 10 percent, for an annual family welfare benefit of $0-$200, to 95 percent for families eligible for $1,000 or more, resulted in the reduction of net cost of welfare reform by $0.4 billion in 1971.

Substantial urban-rural differentials in participation rates among eligible recipients are highly probable but, with the 100-percent participation assumption, the estimates in this study do not reflect these differentials. Largely because of reduced program accessibility for the rural poor and possible reluctance on the part of the rural poor to accept welfare, participation among the rural poor is likely to be substantially below the participation in urban areas. Data on the AFDC program by SMSA and non-SMSA counties (see: Urban Affairs Council, The Relationship of Employment to Welfare Dependency, March 1969) showed that in December 1967, 70.7 percent of all AFDC recipients resided in SMSA counties, compared with 28.9 percent in non-SMSA counties; but according to 1969 estimates from the Current Population Survey, the number of persons under 18 years of age in poverty outside metropolitan areas was almost as large as the number of poor children within metropolitan areas. These rough indications of the number of AFDC recipients, coupled with estimates of poor populations for metropolitan-nonmetropolitan areas, suggest the existence of lower eligibility rates among the nonmetropolitan poor or lower participation among the eligible rural poor relative to the poor in metropolitan areas.

11/ Senate Finance Committee, p. B-10.

relative to current AFDC payments, would result from the initiation of the basic FAP allotment, but smaller portions of the overall increase would result from increased eligibility and payment levels in the adult aid programs. Of the increase of $3.18 billion under total FAP alone, about $2.31 billion would result from increased payments and eligibility for families with children while the remaining $0.87 billion would accrue to recipients of adult aid. When food stamps are included along with total FAP, the net program cost would be $5.95 billion. Again, it should be noted that the comparison does not include the cost of current food stamps.

Enactment of the welfare reform would substantially increase the Federal share of welfare costs, especially in States with low incomes. With the $5.95 billion increase in program cost, Federal expenditures would increase $8.44 billion (which includes $5.67 for FAP, in contrast to current nonfood programs plus $2.77 billion for proposed food stamps) whereas $2.49 billion of State welfare expenditures would be released for other uses.

Through the initiation of FAP plus food stamps, the poverty gap, defined as the total dollar value of the difference between the actual income of all families in poverty (excluding current food stamp bonuses) and income if these families were at the poverty threshold, would be greatly reduced. For the United States, 55.4 percent of the existing poverty gap in 1971 would be closed by FAP plus food stamps. Under FAP plus food stamps, the distributional index, defined as the percentage of benefits accruing to poor families, would total 72.6 percent for the United States (table 2).

Rural-Urban Comparisons

Of the $3.18 billion increase in potential welfare payments, $1.50 billion (47.3 percent) would be received by rural people, compared with $1.68 billion (52.7 percent) accruing to the urban poor. When food stamps are added to the program cost, 46 percent of the increase of $5.95 billion would accrue to rural people, compared with 54 percent accruing to urban people. Benefits under FAP alone would increase 18.2 percent over current programs for urban people, compared with 51.3 percent for rural people. These figures compare with increases in benefits to farm and nonfarm rural people of 116.1 and 38.8 percent, respectively. When food stamps are included, total benefits compared with benefits under current programs would increase 34.9, 92.8, 215.0, and 70.0 percent for the urban, rural, rural farm, and rural nonfarm sectors, respectively.

A total of 3.58 million U.S. families would be eligible for the basic FAP transfer (consisting of payments to families with children and with incomes below the FAP threshold), compared with 1.93 million families eligible under the current AFDC program--an increase of 85 percent. This compares with increases of 39 and 286 percent for the urban and rural sectors, respectively, in families eligible for basic FAP transfer over families eligible for AFDC payments (table 2). Thus, the incidence of working heads and income distribution differentials explain the 39-percent increase in family eligibility in the urban sector in contrast to the 286-percent increase in the rural sector. No details have been announced concerning limits on gross incomes or for the imputation of net worth to income for the self-employed. Therefore, it is assumed that the greater net worth of farm families, relative to nonfarm families, would not affect farm families' eligibility for FAP.

The poverty gap reduction (on a percentage basis) would be substantially greater in rural areas (63.2 percent) than in urban areas (49.4 percent). The distributional index under FAP plus food stamps would be 68.1 and 78.0 percent for urban and rural places of residence, respectively.

Regional Comparisons

Increases in welfare benefits under the proposed programs, shown in table 3, would be greatest in the Southern Region (61.8 and 114.5 percent for FAP and FAP plus food stamps, respectively) and lowest in the Northeastern Region (9.5 and 15.8 percent for FAP and FAP plus food stamps, respectively). By region-place of residence category, the percentage increases under FAP would be by far the greatest in the rural South and smallest in the urban Northeast (table 4). Of the $3.18 billion increase in U.S. welfare cost under FAP alone, 57.0 percent would be in the Southern Region and 32.2 percent in the rural South. And two-thirds of the $1.50 billion increase in benefits accruing to U.S. rural residents under FAP alone would go to rural people in the Southern Region. Further, 66 percent of the potential increase in benefits to farm families under FAP alone would accrue to Southern farm families. These percentages are slightly higher under FAP plus food stamps.

In all regions, welfare expenditures derived from State and local funds would decline under FAP, whereas Federal welfare expenditures would increase. Under the proposed program, the Federal Government's share of welfare expenditures for the United States as a whole would be 74.9 percent as opposed to 47.8 percent under current programs. In the Southern Region, the Federal share of welfare expenditures under FAP alone (not including food stamps) would be 87.4 percent of expenditures from all sources, compared with 65.3 percent under current programs. Federal welfare expenditures as a percentage of welfare expenditures from all sources under FAP would be lowest in the high-income Western and Northeastern Regions (62.0 and 69.5 respectively), but would be roughly 20 percentage points greater than under current programs.

Greater revenue sharing would occur under the proposed welfare programs. The reduction in State welfare expenditures under FAP of $2.49 billion (see tables 2 and 3) would free these State funds for other uses, as well as increasing welfare benefits by $3.18 billion. Total increases in Federal funds available to States for welfare under FAP would total $5.67 billion--an increase of 97.5 percent over current programs (see table 5). The greatest percentage increase in Federal welfare funds among regions would accrue to the North Central Region (117.1 percent) whereas the Western Region would gain, on a percentage basis, the smallest increase in Federal welfare funds (70.6 percent). By comparing Federal funds for FAP by regions in 1971 with total State revenue from all sources in fiscal 1969, some rough approximations can be made of the impact of the increased revenue sharing on regions. Again, in the Southern Region, Federal welfare funds under FAP would comprise a substantial percentage of revenues from all sources in 1971. As a percentage of 1969 revenues available in the Southern Region, Federal welfare funds in 1971 under FAP would total 14.2 percent. This percentage would be substantially less in other regions and for the United States.

Table 4.--Summary of expenditures under current welfare programs versus the Family Assistance Program and the Family Assistance Program plus food stamps, by regions and place of residence, United States, 1971

Item	United States	Northeast	North Central	South	West
	Million dollars				
Total					
Current programs 1/	12,160.7	4,380.7	2,672.3	2,933.7	2,173.9
FAP 2/	15,341.0	4,796.4	3,273.3	4,747.7	2,523.6
Net cost of FAP	3,180.3	415.7	601.0	1,814.0	349.7
Proposed food stamps	2,768.6	274.7	612.9	1,545.6	335.5
FAP plus food stamps	18,109.6	5,071.1	3,886.2	6,293.3	2,859.1
Net cost of FAP plus food stamps	5,948.9	690.4	1,213.9	3,359.6	685.2
Urban					
Current programs 1/	9,227.6	3,851.9	1,936.1	1,585.8	1,853.8
FAP 2/	10,904.1	4,235.9	2,186.0	2,374.9	2,107.3
Net cost of FAP	1,676.5	384.0	249.9	789.1	253.5
Proposed food stamps	1,545.5	233.6	295.5	771.7	244.6
FAP plus food stamps	12,449.6	4,469.5	2,481.5	3,146.6	2,351.9
Net cost of FAP plus food stamps	3,222.0	617.6	545.4	1,560.8	498.1
Rural					
Current programs 1/	2,933.1	528.8	736.2	1,347.9	320.2
FAP 2/	4,436.9	650.5	1,087.2	2,372.9	416.3
Net cost of FAP	1,503.8	31.7	351.0	1,025.0	96.1
Proposed food stamps	1,223.2	41.0	317.4	773.9	90.8
FAP plus food stamps	5,660.1	601.5	1,404.6	3,146.8	507.1
Net cost of FAP plus food stamps	2,727.0	72.7	668.4	1,798.9	186.9
Rural farm					
Current programs 1/	471.7	21.1	150.5	239.3	60.8
FAP 2/	1,019.4	34.9	320.6	598.2	65.8
Net cost of FAP	547.7	13.8	170.1	358.9	5.0
Proposed food stamps	466.3	12.9	156.8	282.7	13.9
FAP plus food stamps	1,485.7	47.8	477.4	880.9	79.7
Net cost of FAP plus food stamps	1,014.0	26.7	326.9	641.6	18.9
Rural nonfarm					
Current programs 1/	2,461.4	507.7	585.7	1,108.6	259.3
FAP 2/	3,417.5	525.7	766.7	1,774.6	350.6
Net cost of FAP	956.1	18.0	181.0	666.0	91.3
Proposed food stamps	756.9	28.2	160.6	491.2	76.9
FAP plus food stamps	4,174.4	553.9	927.3	2,265.8	427.5
Net cost of FAP plus food stamps	1,713.0	46.2	341.6	1,157.2	168.2

1/ Includes payments to all eligible families for AFDC plus all adult programs.
2/ Includes the basic FAP allotments, State supplementary payments, and adult aid under new eligibility standards.

Note: Because of rounding, detailed estimates may not sum to totals.

Table 5.--Approximation of Federal revenue sharing under current and proposed welfare programs, by regions, 1971

Region	Total revenue 1/	Total Federal grants 2/		Federal grants for public assistance 2/		Federal grants under current programs, 1971 3/	Federal grants under proposed programs 3/			
							Total	Total as percent of total revenue	Change from current programs	
	Mil. dols.	Mil. dols.	Pct. of total revenue	Mil. dols.	Pct. of total revenue	Mil. dols.	Mil. dols.	Pct.	Mil. dols.	Pct.
Northeast	30,448.8	4,704.4	15.5	1,870.2	6.1	1,670.8	2,975.0	9.8	1,304.2	78.1
North Central	30,187.1	4,482.3	14.8	1,249.8	4.1	1,202.3	2,610.0	8.6	1,407.7	117.1
South	29,146.9	6,292.0	21.6	1,668.2	5.7	1,916.0	4,148.8	14.2	2,232.8	116.5
West	24,764.3	3,930.2	15.9	1,446.4	5.8	1,028.6	1,754.6	7.1	726.0	70.6
United States	114,547.1	19,408.9	16.9	6,234.6	5.4	5,817.7	11,488.5	10.0	5,670.8	97.5

1/ Data from: U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1968-69, GF 69 No. 5, Washington, 1970, table 23.
2/ Data from: U.S. Department of Health, Education, and Welfare, Social Security Administration, Social Security Bulletin, Vol. 33, No. 10, (Oct. 1970) table 2.
3/ Taken from table 2.

Changes in potential welfare income may influence incentives to work and to migrate for heads of welfare families. Differences in relative increases in potential welfare payments among States under FAP may influence interstate migration of welfare recipients. Also, increases in welfare benefits relative to potential earned income may affect work incentives for the poorly educated, unskilled family heads whose job opportunities are poor.

Incentives to Migrate

This presentation illustrates interstate comparisons of changes in welfare benefits with the initiation of FAP. Such comparisons give insights into changes in the incentives for interstate migration only to the extent that interstate differentials in payment levels affect interstate migration. We first present welfare benefits under current and proposed programs for selected States. Then these benefits are compared with the low cost-of-living standard (table 7) of the Department of Labor to assess the relative well-being among welfare families across States under current and proposed programs. Finally, we examine the possible relevance of the analyses in determining interstate migration changes.

The States shown in table 6 generally represent low, medium, and high absolute levels of current welfare payments. Although selection was not made on an urban-rural basis, the States with low welfare payments are highly rural, whereas New York and Connecticut, with high welfare payments, are highly urban. Total family welfare benefits in the low-income rural Southern States would increase by roughly one-third for a family of four over the current programs with the initiation of FAP. This large increase in benefits results because of the $1,600 minimum guaranteed income enacted in States where AFDC payments were much lower than $1,600. Further, because no State supplementation is needed in low-payment States, these States' share of welfare costs would be greatly reduced under FAP. In this manner, FAP is a form of revenue sharing for lower income States (table 5).

The theory that welfare recipients tend to migrate to States having higher welfare payments solely to obtain the higher payments is without much, if any, foundation. However, if differences in welfare payments influence interstate migration, the proposed national welfare programs could reduce interstate migration of poor families, especially from the South to other regions. The $1,600 minimum income plus higher food stamp bonuses for a four-person family greatly reduces the range in interstate welfare payments. Under current welfare programs, total benefits to a four-person family in Mississippi are roughly one-half of benefits in New York. With the initiation of FAP, Mississippi benefit levels for a family of four would rise to approximately 70 percent of benefits in New York.

The cost-of-living standards (table 7) developed by the U.S. Department of Labor are a benchmark for measuring the economic well-being of welfare families under current and proposed programs. Such comparisons may provide further insights into the interstate migration potential of welfare families. Again, Mississippi and New York were chosen to depict the range of benefit changes among States. Table 7 shows that welfare benefits in Mississippi were 28.7

Table 6.--Total benefits for a 4-person family having no earned income under current and proposed welfare programs, selected States

State	Current program			Proposed program				Current-proposal difference
	AFDC payments 1/	Food stamp bonus 2/	Total benefit	Federal FAP payment 3/	State FAP payment 4/	Food stamp bonus 5/	Total benefit	
	Dollars							
Alabama	744	1,116	1,360	1,600	---	888	2,488	628
Mississippi	578	1,188	1,766	1,600	---	888	2,488	722
Colorado	1,973	768	2,741	1,712	261	804	2,777	36
South Dakota	2,251	696	2,947	1,795	456	732	2,983	36
Illinois	2,566	552	3,118	1,890	676	588	3,154	36
California	2,534	552	3,086	1,880	654	588	3,122	36
Connecticut	3,007	408	3,415	2,022	985	444	3,451	36
New York	3,158	408	3,566	2,067	1,091	444	3,602	36

1/ Taken from: U.S. Department of Health, Education, and Welfare, Social Security Administration, Social Security Bulletin, vol. 33, no. 8 (August 1970). These data represent the average payment per recipient in March 1970 times 4 so as to represent a 4-person family. This monthly figure was then put on a yearly basis.

2/ Based on current food stamp schedule (issued December 18, 1969) and represents the bonus value of food stamps for a 4-person family receiving the given AFDC payments.

3/ Represents the base FAP payment of $1,600 plus 30 percent of any State supplementation necessary to bring payments up to levels of current AFDC program.

4/ Represents 70 percent of payment above $1,600 necessary to equal payment levels under current AFDC programs.

5/ Represents the proposed schedule of bonus values released April 13, 1971, under amendments to the Food Stamp Act of 1964 (P.L. 91-671, January 11, 1971).

percent of the low cost-of-living standard under current programs. Under FAP, this percentage would increase to 40 percent.

No evidence is available on the economics of interstate migration of poor people. Several studies provide insights into the causes of rural-urban migration. The causes of rural-urban migration are linked with interstate migration to the extent that rural-urban flows are also interstate migration flows. Three studies completed under contract with the Office of Economic Opportunity provide some knowledge of rural-urban migration. The Abt Associates Study showed that belief in greater availability of Government assistance and welfare

Table 7.--Total welfare benefits to a 4-person family with no earned income compared with the low cost of living standard, Mississippi and New York

State	Low cost-of-living standard, 1970 1/	Total welfare benefits			
		Current programs		Proposed programs	
	Dol.	Dol.	Pct. of cost of living standard	Dol.	Pct. of cost of living standard
Mississippi	6,150 2/	1,766	28.7	2,488	40.5
New York	7,183 3/	3,566	49.6	3,602	50.1

1/ U.S. Department of Labor, Bureau of Labor Statistics, Spring 1970 Cost Estimates for Urban Family Budgets, news release, December 21, 1970.
2/ Represents the cost-of-living standard for the nonmetropolitan South.
3/ Represents the cost-of-living standard for New York City.

in urban areas was positively, but very weakly, correlated with migration. 12/ However, the Tracor project (vol. III, table 10.9) reports that knowledge of rural-urban differences in obtaining welfare payments was slight among five ethnicity-sex-location groups. 13/

The Bowles study, which uses the 1967 Survey of Economic Opportunity, provides the most substantive insights into rural-urban migration, poverty, and welfare payments. 14/ Mrs. Bowles found that of the poverty population among urban nonmigrants, 29.7 percent received public assistance payments. The recipient rate for poor rural-urban migrants was 25.7 percent, indicating no significant difference in public assistance participation of poor migrants and nonmigrants. However, the Bowles study also showed that rural-urban migration is less probable for the poor than for the nonpoor. In the poverty population, families headed by males were more likely to migrate than families headed by females. The proportion of nonpoverty families classified as migrants totaled

12/ Abt Associates, Inc., The Causes of Rural to Urban Migration Among the Poor, Contract No. B-99-4841, submitted to the Office of Economic Opportunity, Washington, D.C., March 1970.
13/ Tracor Corporation, A Study of Economic Consequences of Rural to Urban Migration, submitted to the Office of Economic Opportunity, Washington, D.C., Dec. 1969.
14/ Data taken from a study directed by Gladys K. Bowles. USDA - University of Georgia cooperating.

65.6 percent, compared with only 52 percent for poor families classified as migrants. Within the poverty population, 57 percent of the families with male heads and 48 percent of the families with female heads were migrants.

Whether reduced interstate differentials in potential welfare income will reduce interstate migration is still an open question. The few insights gained from other studies suggest that welfare payment levels are not a major factor in the decisions of the poor to migrate, and that the poor comprise small portions of migrant streams.

Work Requirements and Incentives to Work

Concern for the issue of work incentives has resulted in considerable controversy and has been a primary consideration in the action on the proposal. The prospects of reduced earnings from work resulting from increased income from FAP among the working poor has led to the work requirements embodied in FAP and outlined earlier. The objective of the work requirements is, of course, to insure that welfare recipients will accept employment or training for employment, rather than substitute FAP income for earned income. The following analysis of work incentives under FAP sets aside the effects of work requirements on work force participation. The analysis presents an illustration of income differentials of FAP recipients with varying degrees of work force participation; i.e., an illustration of economic pressures to work as determined by marginal incomes for varying amounts of work, instead of pressures to work as determined by work requirements of the legislation.

Aside from the issue of work requirements, work force participation depends on both the attitudes of the poor toward work and their opportunity for work as opposed to income opportunities under welfare. The opportunity among the poor for work, in turn, depends on the overall employment rate as well as the skill level of poor people. Given some level of welfare benefits, attitudes toward work, and the overall employment rate, changes in incentives of the poor to work depend on the wage they can command relative to the potential income from welfare.

To gain some insight into the possible impact of FAP on work incentives of the poor, welfare income under FAP and current programs is compared with earned income for a worker at the minimum wage, hired farmworkers, and production workers in manufacturing (table 8). Then, average hourly incentives to work half-time as a hired farm laborer under FAP are compared with work incentives of the hired farmworker when no welfare benefits are available (table 9).

Under current programs, welfare income on an hourly basis, as a percentage of the Federal minimum wage, ranged from 55.6 percent in Mississippi to 107.5 percent in New York. In Mississippi, under FAP, welfare income would be 75.0 percent of the minimum wage, as opposed to 108.1 percent in New York. Wages of production workers in manufacturing are two or three times the benefit rate from current welfare programs in the two States. Under FAP, welfare benefit rates would increase relative to wage rates of production workers in manufacturing in the low-income States.

The hired farmworker wage rate may represent the opportunity cost of participating in welfare programs for the poor, especially the rural, Southern poor;

Table 8.--A comparison of hourly income at selected wage rates with income under current and proposed welfare programs for selected States

State	Minimum wage	Earnings of hired farm workers 1/	Earnings of production workers in manufacturing	Current programs: Welfare income 3/	Current programs: Minimum wage	Current programs: Farm worker wage	Current programs: Production worker wage	Proposed programs: Welfare income 3/	Proposed programs: Minimum wage	Proposed programs: Farm worker wage	Proposed programs: Production worker wage
	Dol. per hr.	Dol. per hr.	Dol. per hr.	Dol. per hr.	Pct.	Pct.	Pct.	Dol. per hr.	Pct.	Pct.	Pct.
Ala.	1.60	1.18	2.81	.89	55.6	75.4	31.7	1.20	75.0	101.17	42.7
Miss.	1.60	1.25	2.39	.85	53.1	68.0	35.6	1.20	75.0	96.0	50.2
Colo.	1.60	1.63	3.50	1.32	82.5	81.0	37.7	1.34	83.8	82.2	38.3
S. D.	1.60	1.51	2.94	1.42	88.8	94.0	47.6	1.43	89.4	94.7	48.6
Ill.	1.60	1.74	3.60	1.50	93.8	86.2	41.7	1.52	95.0	87.4	42.2
Calif.	1.60	1.85	3.73	1.48	92.5	80.0	39.7	1.50	93.8	81.1	40.2
Conn.	1.60	1.86	3.38	1.64	102.5	88.2	48.5	1.66	103.8	89.2	49.1
N. Y.	1.60	1.70	3.39	1.71	107.5	101.2	50.7	1.73	108.1	101.8	51.0

1/ Taken from: U.S. Department of Agriculture, Statistical Reporting Service, Farm Labor, Released April 13, 1970; Wages represent those paid without room or board, April 1, 1970.

2/ Taken from: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, Vol. 16, No. 12 (June, 1970), Table C-10.

3/ Calculated by dividing total family benefits under the respective programs by 2,080 hours (40 hours per week for 52 weeks).

Table 9.--A comparison of incomes of a head of a 4-person family participating in FAP and working half time as a hired farm-worker as opposed to not working, Mississippi and New York

Item	Unit	Mississippi	New York
Total earnings 1/	Dol.	1,300	1,768
FAP payments			
Federal 2/	Dol.	1,310	1,007
State supplementation	Dol.	---	1,452
State's share	Dol.	---	968
Federal share 3/	Dol.	---	484
Total	Dol.	1,310	2,459
Food stamp bonus	Dol.	588	156
Total income 4/	Dol.	3,198	4,383
Increase over income if head did not work 5/	Dol.	710	781
Average hourly incentive to work 6/	Dol.	0.68	0.75
Incentive as a percentage of incentive with no welfare 7/	Pct.	55	44

1/ Hourly earnings of farm laborers in April 1970 were $1.25 and $1.70 in Mississippi and New York, respectively.

2/ Represents the $1,600 basic FAP allotment adjusted for 50 percent of earnings above the $720 cost-of-working allowance.

3/ Represents 30 percent of State supplementation when State supplementation represents the difference between the basic FAP allotment and AFDC payments as of March, 1970.

4/ Represents the sum of earnings, FAP payments, and food stamp bonus.

5/ Represents the change in income resulting from working half-time.

6/ Represents the change in total income resulting from working divided by the number of hours worked. This could be interpreted as the realized average wage rate of welfare recipients. It is not a marginal realized wage rate. It is thus an average hourly incentive to work 1/2 time as a farm laborer for a head receiving the maximum welfare payments.

7/ Average hourly incentive for welfare worker divided by the farm wage rate. This figure subtracted from 1 could be interpreted as the "real" hourly tax rate for participating in welfare programs.

i.e., the hired farm labor wage rate is the wage these people can command, given their low levels of skills and education, and lack of training. The average hourly incentive for working half-time for a hired farmworker with a family of four, drawing all possible welfare benefits in Mississippi would be $0.68 per hour. In New York, this figure would be $0.75 (table 9). These average incentives to work for a welfare recipient under FAP compare with the average incentive of the nonparticipant (the hourly wage) of $1.25 and $1.70 in Mississippi and New York, respectively. Thus, the "tax" for participating in welfare programs would be $0.57 per hour (46 percent) and $0.95 per hour (56 percent) in Mississippi and New York, respectively.

The probability of significant changes in work incentives with the initiation of FAP would be greater in the Southern Region than in the Northern and Western Regions, because of the much larger increase in welfare payments in the South. Although the tax on earned income would be reduced under FAP in high-income States, welfare benefits in these States would not be changed significantly under FAP; thus the incentive to work may not be greatly altered. However, in most Southern and low-income States, work incentives may be affected by welfare reform. As shown in table 9, assuming the hired farmworker wage rate is typical of what the head of a poor Southern family can command, and also assuming work is available at that wage rate, the question is: Will the poor work for less incentive for each additional hour of work than their current hourly incentives with no welfare payments? If so, how much will they work as the hourly incentive to work declines when participating in welfare programs? 15/

In conclusion, work incentives may be affected in the lower income States by the initiation of FAP. Given the increase in welfare benefits and the relevant wage rate, reduced participation in the labor force reflects attitude toward work. Reduction in work force participation may be greatest among the older working poor whose aspirations for upward social mobility are at a minimum. In the rural areas of the Southern Region, the decline in actual work force participation would depend, to a large degree, on existing low-skill labor supply-demand relationships. If supply of low-skill labor exceeds existing demand for such labor, then any reduction in work incentives among poor, unskilled workers would be negated by the lack of demand for their work.

15/ For the working poor with a given hourly wage, possible welfare benefits, and a given family size, one can construct the average and marginal incentives to participate in the work force.

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE, $300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE

U.S.MAIL